

**AVALON MUNICIPAL HOSPITAL BOARD OF TRUSTEES' MEETING
TUESDAY, SEPTEMBER 15, 2015 – 6:00 P.M.
CITY COUNCIL CHAMBERS
410 AVALON CANYON ROAD
A G E N D A**

In compliance with the Americans with Disability Act, if you need special assistance to participate in this meeting, please contact Denise Radde, City Clerk (310) 510-0220. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35. 102-35.104 ADA Title II). All public records relating to an agenda item on this agenda are available for the public inspection at the time the records are distributed to all, or a majority of all, members of the Board of Trustees. Such records shall be available at City Hall located at 410 Avalon Canyon Rd.

CALL TO ORDER / ROLL CALL

ANNOUNCEMENTS / WRITTEN COMMUNICATIONS

PRESENTATION

Update from Catalina Island Medical Center Interim CEO Bryan Ballard.

ORAL COMMUNICATION

The Board of Trustees will accept comments from the public at this time. No action will be taken on non-agenda items at this meeting. Speakers should limit comments to three (3) minutes each.

CONSENT CALENDAR

1. Board of Trustee's Actions
Although the live recording of the meetings is the official record, Board actions are also prepared by the City Clerk.
Recommended Action
Approve the August 18, 2015 Hospital Board of Trustees Actions.

2. Chief Executive Officer's Board Report and Chief Financial Officer's Report
Attached for the Avalon Medical Development Corporation (AMDC) Board of Trustees' review:
 - The CEO's Board Report for August 21, 2015
 - The CFO's Financial Statement for July, 2015Recommended Action
Receive and file the reports.

GENERAL BUSINESS - None

**HOSPITAL BOARD AGENDA
SEPTEMBER 15, 2015
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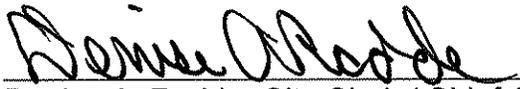
CHAIR'S REPORT

MEMBER REPORT

ADJOURN

NOTICE OF POSTING

I, Denise Radde, declare that the Hospital Board of Trustees Agenda for September 15, 2015 was posted on Thursday, September 10, 2015, on the City's website www.cityofavalon.com, and at City Hall, 410 Avalon Canyon Road. Copies of agendas and staff reports are available at City Hall.



Denise A. Radde, City Clerk / Chief Administrative Officer

AVALON MUNICIPAL HOSPITAL BOARD OF TRUSTEES

MEETING DATE: September 15, 2015

AGENDA ITEM: 1

ORIGINATING DEPT: Administration

CITY MANAGER: BH

PREPARED BY: Denise Radde, City Clerk

SUBJECT: Avalon Municipal Hospital Board of Trustees Actions

RECOMMENDED ACTION(S): Approve the August 18, 2015 Avalon Municipal Hospital Board of Trustees Actions.

REPORT SUMMARY: Although the live recording of the meeting is considered to be the official record, actions of the meeting are prepared for the Board's approval.

FISCAL IMPACTS: N/A

GOAL ALIGNMENT: To be determined

CONSEQUENCES OF NOT FOLLOWING RECOMMENDED ACTION(S): N/A

ALTERNATIVE ACTION(S): N/A

FOLLOW UP ACTION(S): File the actions.

ADVERTISING, NOTICING AND PUBLIC CONTACT:

This item was properly listed on the posted agenda pursuant to the Brown Act.

ATTACHMENTS: Avalon Municipal Hospital Board of Trustees Actions.

**AVALON MUNICIPAL HOSPITAL BOARD OF TRUSTEE'S MEETING
TUESDAY, AUGUST 18, 2015
ACTIONS**

CALL TO ORDER at 7:12 p.m.

ROLL CALL-Present: Trustees Anni Marshall, Cinde Cassidy, Joe Sampson, and Richard Hernandez. Absent: Chairman Oley Olsen.

PRESENTATION - None

ORAL COMMUNICATION

Bryan Ballard, Interim Chief Executive Officer addressed the Board of Trustees giving them an update on hospital and clinic matters.

CONSENT CALENDAR

There were two items on the Consent Calendar. Motion to approve Items 1 and 2 by Trustee Cassidy, seconded by Trustee Sampson. (4 Ayes-Marshall, Cassidy, Hernandez and Sampson, 1 Absent-Olsen)

1. Board of Trustee's Actions
Approved the July 21, 2015 Hospital Board of Trustees Actions.
2. Chief Executive Officer's Board Report and Chief Financial Officer's Report
Received and filed the following reports:
 - The CEO's Board Report for July 28, 2015
 - The CFO's Financial Statement for June, 2015

GENERAL BUSINESS - None

ADJOURNED at 7:14 p.m.

I, Denise Radde, City Clerk of the City of Avalon, do hereby certify that the DVD videotape of the City Council Meeting, Hospital Board of Trustee's Meeting, on August 18, 2015, is the official record of that Meeting and is on file and maintained in City Hall.



Denise A. Radde, City Clerk/Chief Administrative Officer

AVALON MUNICIPAL HOSPITAL BOARD OF TRUSTEES

MEETING DATE: September 15, 2015

AGENDA ITEM: 2

ORIGINATING DEPT: Administration.

CITY MANAGER: BH

PREPARED BY: Denise Radde, City Clerk

SUBJECT: CEO's Board Report and CFO's Monthly Financial Statement

RECOMMENDED ACTION(S): Receive and file the reports.

REPORT SUMMARY: Attached is a copy of Bryan Ballard's CEO Board Report to the Board of Directors for August 21, 2015; and CFO's Financial Statement for July, 2015.

FISCAL IMPACTS: N/A

CONSEQUENCES OF NOT FOLLOWING RECOMMENDED ACTION(S): N/A

GOAL ALIGNMENT: To be determined

FOLLOW UP ACTION(S): File the actions.

ADVERTISING, NOTICING AND PUBLIC CONTACT: This item was properly listed on the posted agenda pursuant to the Brown Act.

ATTACHMENTS: CEO's report to the AMDC Board of Directors and the CFO's Financial Statement.

CATALINA ISLAND MEDICAL CENTER
Chief Executive Officer's Report
August 21, 2015

CEO Recruitment

Following last month's board meeting the Search Committee met this week to review the draft Leadership Profile Mark developed following his meeting with the board. This is a twelve page document that sets out the attributes desired in candidates and identifies the critical success factors the candidate will be judged by as to degree of attainment. These criteria then are used by Mark in evaluating candidates so all are measured by the same standard. The AMDC Board will consider the criteria for its approval as the process moves ahead.

Generator Replacement

This month your chairman, Mr. Lovrich and I met with the Avalon City Manager and Director of Finance to explore approaches to financing the emergency generator. An idea that emerged from the discussions was for the hospital in a collaborative fashion as advocated by Mayor Marshall to provide an array of services to City employees by which there would be a quid pro quo for any monies advanced to the hospital. The hospital staff has prepared a document in the format of a grant that would set forth wellness type services such as a mini city employee health fair, flu shots, weight reduction programs, etc. that would bring benefit to the employees directly and indirectly to the City itself in terms of reduced absenteeism etc. The AMDC Board will be reviewing the proposal and its approach prior to forwarding to the City for its consideration. This certainly could be a win-win for the two entities as well as for the community as a whole.

In pursuing the status of our plan review with OSHPD we learned communications got dropped between the State and our contractor. According to OSHPD they received the plans for review on March 20, completed their review and sent them back on April 9. The State however has no record of to whom they were sent nor who received them nor does our contractor have any record of receipt of their comments and plans. OSHPD submittals are complicated by the fact there are essentially duplicate offices in Sacramento and Los Angeles which sometimes contributes to the confusion. Fortunately our contractor has file copies of the plans and notes and is working with OSHPD for a re-review. This should be an accelerated review once they receive the plans a second time.

Community Needs Assessment and Facilities Exploration

This project is moving ahead and on schedule. The Board will be evaluating the methodology envisioned by our consultant and the suggested participants in the focus groups. Heavy reliance is placed on direct involvement of the local community in identifying how the hospital can be more effective going forward. An example of the outreach we'll be generating is to have a specific focus group at The Isthmus for those residents' input rather than expecting them to make the trip to Avalon. This process will begin to identify possible facility options for

the future as well. Direct community involvement is expected to get underway in late September.

Board Orientation and Education

Material is being assembled for this event scheduled for the Catalina Canyon Resort and Spa on Saturday October 3, 2015. Invitations for participation have been sent to the City, Auxiliary and Foundation. This is an exciting opportunity for our members to further meld as a body.

Department of Health Care Services Repayment

My last communication with the State was on July 31, 2015 describing the Board's approval of the terms of settlement. The State stated they would be preparing the appropriate documents and forwarding them to us for signature. Thus far we have not received any further communication.

Medical Staff Recruitment

Dr. Mellon indicated to me a month ago he was going to be reducing his hours to attend to family responsibilities at his home. Regrettably a week ago his plans changed such that he is going to be leaving us completely as of October 1, 2015. His clinical acumen will be missed. The personal values he has brought to our organization will be a loss. He is a principled individual who brings a measured, fair, thoughtful discussion to issues and is respectful to others.

Based on our earlier discussions I had been exploring with some excellent candidates the potential of them sharing a portion of Dr. Mellon's hours. With this change I am talking with them about totally sharing his position. I'll not be putting just anyone into this position just to fill it. I've created a compatible group of physicians who each have brought unique personal attributes as well as clinical skills to the community and I want to pay continuing attention to enabling us to focus on continuity of care as well as clinical excellence. At this point I hope to be able to fill his position without resorting to a professional recruiter.

Patient Billing Services

The hospital made a change in its billing services a year ago. As could be expected there were initial challenges with the transition. The business office and information technology staff has, through extraordinary hard work and effort, coupled with the leadership of our CFO and a lot of hours on his part have been able to achieve progress. However, given the high degree of effort required for this approach, it is not reasonable to continue this arrangement. I'll be bringing to the Board a discussion of the importance of a change to a new model that I believe will be more effective, get better results and will be more in tune with our community as well as provide more local employment.

CFO REPORT FOR JULY, 2015

I. FINANCIAL STATEMENTS FOR JULY, 2015

July

Net patient revenue was over budget for July by \$22,302 (3%).

Gross revenue was over budget by \$63,288(3%) (See box below)

Deductions from revenue were over budget by \$40,986(4%).

Including:

Contractual allowances were over by \$45,834(5%)

Provision for bad debt was under by \$12,198(10%).

Charity care was under by \$5,660(31%).

Administrative allowances were over budget by \$13,011(52%)

Gross inpatient revenue was over by \$64,349(23%) in July due to having 73 swing and acute days vs. a budget of 16.

Gross outpatient revenue was under by \$11,626(3%).

Gross Emergency Room revenue was over by \$10,565 (1%) despite E/R visits being under budget by 23(9%).

| July 2015 | Deductions from Revenue and Misc Stats | | |
|----------------------------------|--|---------|----------|
| DESCRIPTION | Actual | Budget | Variance |
| Provision for Bad debts | 102,801 | 115,000 | 12,199 |
| Contractual Allowances | 911,588 | 865,754 | (45,834) |
| Charity and Admin Allowances | 50,062 | 42,711 | (7,351) |
| Acute and Swing Bed days | 73 | 16 | 57 |
| Medicare Utilization | 100% | 100% | 0% |
| Clinic Visits | 468 | 522 | (54) |
| ER Visits | 229 | 252 | (23) |
| Net Rev as a % of Gross Revenue | 37.20% | 37.30% | -0.10% |
| Expenses as a % of Gross Revenue | 39.90% | 38.00% | -1.90% |
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| JULY 2015 | | | |
|-------------------------------|---------------------|---------------------|------------------|
| DESCRIPTION | Actual | Budget | Variance |
| Inpatient revenue | | | |
| Medical | \$ 117,815 | \$ 34,969 | \$ 82,846 |
| SNF | \$ 87,529 | \$ 75,943 | \$ 11,586 |
| CT Scan revenue | \$ 33,121 | \$ 27,776 | \$ 5,345 |
| Laboratory revenue | \$ 13,991 | \$ 31,100 | \$ (17,109) |
| Ultrasound revenue | \$ 19,813 | \$ 20,819 | \$ (1,006) |
| Pharmacy revenue | \$ 24,470 | \$ 27,705 | \$ (3,235) |
| Physical therapy revenue | \$ 14,426 | \$ 17,582 | \$ (3,156) |
| Other revenue | \$ 25,063 | \$ 35,984 | \$ (10,921) |
| Total I/P revenue | \$ 336,228 | \$ 271,878 | \$ 64,349 |
| Outpatient revenue | | | |
| CT Scan revenue | \$ 5,252 | \$ 21,829 | \$ (16,577) |
| Physical therapy revenue | \$ 87,499 | \$ 115,513 | \$ (28,014) |
| Lab revenue | \$ 105,551 | \$ 74,681 | \$ 30,870 |
| Radiology revenue | \$ 30,751 | \$ 26,903 | \$ 3,848 |
| Clinic revenue | \$ 122,625 | \$ 120,354 | \$ 2,271 |
| Other revenue | \$ 18,140 | \$ 22,164 | \$ (4,024) |
| Total O/P revenue | \$ 369,818 | \$ 381,444 | \$ (11,626) |
| Emergency Room revenue | | | |
| Emergency room revenue | \$ 430,465 | \$ 476,089 | \$ (45,624) |
| CT Scan revenue | \$ 253,289 | \$ 189,691 | \$ 63,598 |
| Laboratory revenue | \$ 115,974 | \$ 146,341 | \$ (30,367) |
| Radiology revenue | \$ 60,113 | \$ 68,524 | \$ (8,411) |
| Other revenue | \$ 129,544 | \$ 98,175 | \$ 31,369 |
| Total E/R revenue | \$ 989,385 | \$ 978,820 | \$ 10,564 |
| Total Gross Revenue | \$ 1,695,431 | \$ 1,632,142 | \$ 63,288 |
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Other operating revenue was under budget for the month by \$3,977.

Operating expenses were over budget by \$56,173(9%) in July. Operating expenses represented 39.9% of gross revenue compared to the budgeted amount of 38% in July. Gross patient revenue was over budget by 3% while operating expenses are 9% over budget with the significant variances (unfavorable) being:

| DESCRIPTION | MONTH OF July | |
|-------------------------------|---------------|--|
| SALARIES | \$ (19,643) | |
| EMPLOYEE BENEFITS and HOUSING | \$ (17,550) | |
| PRO FEES | \$ (14,974) | |
| SUPPLIES-General | \$ 4,975 | |
| SUPPLIES-Pharmacy | \$ (5,289) | |
| SUPPLIES-Food | \$ (165) | |
| PURCHASED SERVICES-Repairs | \$ 10,900 | |
| LICENSES/TAXES | \$ (266) | |
| Depreciation | \$ 2,485 | |
| TRAVEL | \$ (1,926) | |
| UTILITIES | \$ (1,794) | |
| PURCHASED SERVICES-Other | \$ 4,581 | |
| Dues and subs | \$ 447 | |
| OTHER EXPENSES | \$ (17,731) | |
| TOTAL | \$ (55,950) | |
| | | |

Salaries-Lab (\$3K), Clinic (\$8K), Radiology(\$4K), Dietary(\$3K)
 Employee benefits-(\$17K)
 Professional fees-Physicians (\$10K), Patient Acct(\$4K), Radiology Reg(\$2K)
 CLINIC(\$2K) Legal Fees (\$1K)
 Purchased Services- IT(\$5K)
 Other expenses-HR Recruiting (\$16K), PT(\$8K)

Net Operating Income was \$37,849 under budget for July

Non-operating revenue and expense was under budget by \$20,253 for July.

The financial position remains strong with working capital increasing by \$39,087 with net days in accounts receivable decreasing to 87 days while gross days decreased to 81 days. We are working with our new billing company to improve the process. Cash and LAIF funds increased by \$493,197 from June. Net patient accounts receivable decreased by \$146,272 from June. Medicare settlement accounts decreased \$413,192 from June. Accounts payable decreased by \$45,467 and current liabilities decreased by \$102,163 from June.

| DESCRIPTION | AS OF July 31, 2015 | AS OF June 30, 2015 | CHANGE IN WORKING CAPITAL |
|---------------------|------------------------|------------------------|---------------------------------|
| CURRENT ASSETS | \$ 4,108,376 | \$ 4,171,452 | \$ (63,076) |
| CURRENT LIABILITIES | \$ (574,694) | \$ (676,857) | \$ 102,163 |
| WORKING CAPITAL | \$ 3,533,682 | \$ 3,494,595 | \$ 39,087 |
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II. New developments (Not reflected in the financial statements)

- **Electronic Medical Records (EMR)**- The EMR project continues to be addressed. We will be reimbursed for most costs associated with the EMR project by the government for expenses incurred after February 17, 2009. We have invested \$1,913,922 in this project as of July 31, 2015. CPSI is certified by the government for its EMR product. We have filed an appeal through the cost report process and it will be reviewed during the Medicare audit. . We believe that we are due between \$250,000 and \$300,000 in additional reimbursement.
- **ICD -10 Conversion**- We have entered into a contract with CPSI to provide the training for Physicians and other employees to meet the new ICD-10 requirements that has again been delayed until October 1, 2015. CPSI tested their system readiness for this conversion in March. There were no issues with CPSI. They tested again in July. We have begun to schedule training for our physicians and nurses in September with CPSI. This will be an intensive two weeks of training on ICD-10 and CPSI functions. This is being done to ensure that we are capturing all charges and that we are ready for the ICD-10 conversion. We will be ready for the conversion before the deadline. However, the deadline may be extended again.
- **Billing Company**- Cross America Financial, LLC took over our billing and collection function on October 1, 2014. As discussed earlier, we are working very closely with CAF to improve the billing and collection function. Please see Accounts Receivable Improvement Plan for an update on this process.

- Electronic Medical Records Audit-We have not heard anything from Noridian since sending them the additional information that they requested last month.
- AAA Grant Audit-Auditors contracted by the County of Los Angeles were on site to conduct an audit of the AAA grant. This grant provides funds for CIMC personnel to provide home help services. We provided additional information to them as requested.
- DHCS Settlement-CIMC agreed to payment terms with DHCS on the debt owed to them. CIMC will pay \$20,000 per year until the debt is paid. This will take over thirty years. There is no interest on this payment plan.